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General

1. The situation in industry is more difficult today than in past years. This does not mean that the factors affecting the situation have grown more difficult, but rather that the extraordinary efforts made by Yugoslav industry have had their effect. These efforts were made with a blind disregard of the consequences and have overtaxed both workers and machinery.
2. In agriculture production also showed a decline. In the first place the State applied less pressure in 1951 than previously. Cooperatives which no longer enjoyed the support of People's Committees, to which they were used, became disoriented, particularly when faced with the popular clamor that the Government should abandon the policy of using cooperatives at all. This lack of material assistance and uncertainty of the future was the reason why 26 per cent of all cooperative concerns had a 42 per cent smaller output than was planned. This in turn has jeopardized the Vojvodina and Croatian linen industries, the Banat sugar production, and has diminished the output of the Herzegovinian and Macedonian tobacco industries by no less than one quarter of their production.

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Industries3. Aircraft Industry

The Yugoslav aircraft industry is in a state of experimentation. Requests from Germany for machinery for the Tovarna Automobila Maribor (TAM Automobile Factory) at Maribor, which produced parts for Messerschmidts during the war, have not met with any success.

The following aircraft are being produced: H.2, A.217 and P.540. Retooling of the TAM works for aircraft engines (from automobile engines) has come up against insuperable difficulties.

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CONFIDENTIAL4. Textile Industries

The textile industries were not as greatly modernized and re-equipped after the war as were other sections of the Yugoslav economy. They suffered very badly from the blockade imposed by the Soviet-satellite bloc. Production in 1951 was actually below the level of 1946 even in the cases of large concerns such as the Varazdin and Paracin combines. These firms today produce 60 per cent less than their 1947-1948 output, with the result that their production is restricted to the requirements of the armed forces. This, and the decreased efficiency of smaller firms, has cut down supplies of textiles to the domestic market to an extremely low level. The strain is mainly felt in cotton products, as the situation as regards wool has improved with imports of yarns

5. Electrification Scheme

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The following electric-power stations were completed in 1951: Jablanica, Bitolj, Titograd and Raska. Daruvar, which is an expansion of the already-existent Stari Kostolac station, was also completed. Further stations are planned at the following locations: Lake Palic near Subotica; a plant near Vrhovine in the Plavicka Jezera area of central Croatia; and one on the Bosna River near Maglaj (Bosnia-Herzegovina). For the last two it is hoped to import the necessary equipment. A number of other power stations which had been planned were not constructed because of difficulties in obtaining equipment abroad. Among these are the Vrsac, Novi Sad, Sombor and Becej stations. Water pumps and some turbine equipment for these were obtained as were transformer-station and power-grid equipment. It is still hoped, despite initial lack of success, to import the remainder

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6. The main reasons for the slowness with which the electrification scheme is proceeding are the difficulty in obtaining imports from abroad and the decrease in the output of the Rade Koncar works at Zagreb. Despite recent measures to improve conditions there, there is an atmosphere of defeatism among the workers, contrasting with the post-war optimism, which is retarding the output of turbo-generators.

7. Sulphuric Acid

The Bor copper mines produced 12,000 tons of sulphuric acid in 1951. A new plant was installed during that year.

Agriculture

8. The first consequence of the diminution in State interference in agriculture will be the impossibility of incorporating a large part of the Yugoslav agriculture in the Five-Year Plan. Such will be the case of the foodstuff industries, textile industries and the tanning and skins industries. The peasants, and indeed the agricultural cooperatives, will be induced to grow produce which can be placed more easily on the open market. They will therefore tend to forego production on industrial behalf. The prices for the latter have risen by 100-140 per cent, whereas the prices for the former items have increased by 350 per cent. In addition, the authorities have always tended to pay below the fixed price for produce for industry. Lastly the peasants, particularly the Serbs, have taken the lessening of Government control as a measure of weakness.
9. Viniculture has suffered the most since 1948. Not only has production dropped, in particular in 1950, but the ready markets of the Soviet Union and Czechoslovakia, which took large quantities of Yugoslav wines, have been lost. On the other hand, certain items, such as plums, still sell readily and the situation has not changed from its former satisfactory state.

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10. As regards other items, the following can be said:

- a. The new olive plantations in Montenegro (11,300 trees have been planted) represent only 25 per cent of the target under the Five-Year Plan.
- b. Cotton. Experiments in cotton growing have been halfhearted due to the Government's change of policy in opening Yugoslavia to foreign imports. Apart from the Vardar and Herzegovinian areas, little sowing has taken place in recent years.
- c. Maize. Hybrid strains have been imported [REDACTED] which gave very good results in the 1951 harvest. The failure of "national strains" is due primarily to the inefficiency of the relevant experts who chose them.

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11. Agricultural Machinery

The Zmaj works at Zemun have failed to produce 50 per cent of the machinery promised in their contracts with agricultural cooperatives. This has had a very adverse effect on production in the Vojvodina and Macedonia.

12. Sugar Industry

The Zupanja factory produced 297,000 tons of sugar in 1951. Part of this production went to the internal market.

13. Other Food Industries

- a. The Janhomir foodstuffs industries had a good year in 1951 and were extremely satisfactory.
- b. A new factory, serving Montenegro with canned foods, was opened at Bocche di Cattaro (Kotor).

14. Plants for Pharmaceutical and Perfume Industries

During 1950, plants for the pharmaceutical and perfume industries brought in the useful sum of \$12 million from exports [REDACTED]. This situation did not last through 1951. The production of roses, for example, in the Macedonian and Pirot areas fell by half and the world price for rose essences fell by 20 per cent.

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